

Message Text

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51

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 INT-05 L-02 AGR-05 FEAE-00 OES-03 /092 W

----- 024980

R 241505Z FEB 75O

FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC 0000

INFO AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: GUINEAN MINERALS TAX: LATEST DEVELOPMENTS

REF: CONAKRY 0275

1. SUMMARY: FRIGUIA (AND PERHAPS ALSO CBG) SEEM TO BE ON COLLISION COURSE WITH GUINEAN GOVERNMENT AS LATTER INSISTS ON STRICT APPLICATION OF NEW EXPORT TAX, AND ALSO TIGHTER CONTROL OF MIXED COMPANIES. NEW FRIGUIA PARTNER NORANDA WILL DISCUSS MATTER WITH OPIC ON FEB 26 PRIOR TO ANY DECISION ON WHAT NEXT STEPS WILL BE. END SUMMARY.

2. SUBSEQUENT TO MEETING WITH NORANDA REPRESENTATIVES REPORTED REFTEL, CLAUDE BASSINE GAVE US FOLLOWING ADDITIONAL RUNDOWN ON STATUS OF FRIGUIA/COG NEGOTIATIONS. FINAL SESSION OF FRIGUIA BOARD MEETING TOOK PLACE EVENING FEB 20 AND LASTED UNTIL 5:30 IN MORNING. BASSINE SAID THAT FINAL MEETING PRODUCED NO MEETING OF MINDS BETWEEN GOG AND PARTNERS, AND LITTLE PROSPECT AT PRESENT THAT AGREEMENT WILL BE REACHED.

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3. PRIMARY ISSUE IS WHAT BASSINE CALLS OPERATIONAL MANAGEMENT OF COMPANY. GOG ABSOLUTELY ADAMANT THAT FRIGUIA PROCEEDS MUST BE DEPOSITED IN GUINEAN CENTRAL BANK WITH ALL PAYMENTS TO BE COUNTERSIGNED BY GUINEAN SIDE AND APPROVED BY BANK. SINGLE EXCEPTION FRIGUIA PARTNERS ABLE TO OBTAIN FROM GUINEANS WAS EXEMPTION OF DEBT SERVICING FROM THIS REQUIREMENT. BOTH OF MAJOR PARTNERS --NORANDA (CANADIAN) AND PECHINEY (FRENCH) - ARE EXTREMELY RELUCTANT TO ACCEPT THIS REQUIREMENT. OTHER PARTNERS HAVE AGREED TO DEFER TO NORANDA/PECHINEY DECISION. GUINEANS TOLD FRIGUIA THAT FRIGUIA AND CBG WERE ONLY MIXED COMPANIES IN WHICH THIS REQUIREMENT IS NOT ALREADY IN FORCE (WE HAD NOT HEARD THIS BEFORE, AND WILL ATTEMPT VERIFY). IN ANY EVENT, GUINEANS INSIST ON REQUIREMENT, AND FRIGUIA PARTNERS WILL HAVE LIMITED PERIOD OF TIME TO DECIDE ONE WAY OR ANOTHER WHETHER TO ACCEPT OR REFUSE.

4. BASSINE SAID THAT HIS NEXT STEP WILL NOW BE TO DISCUSS ENTIRE MATTER WITH OPIC IN WASHINGTON WHERE HE HAS APPOINTMENT FEB 26. HE SAID HE BELIEVES THAT ACCEPTANCE OF GUINEAN REQUIREMENT BY NORANDA COULD AFFECT OPIC INVESTMENT GUARANTEE. HE WILL THEREFORE SEEK OPIC ADVICE BEFORE PRESENTING MATTER TO NORANDA FOR ITS DECISION.

5. REGARDING MINERALS TAX ITSELF, BASSINE SAID THAT PRESIDENT TOURE HIMSELF APPEARED AT LAST SESSION OF FRIGUIA BOARD MEETING, AND ANNOUNCED THAT, WHILE HE REGRETTED HAVING TO IMPOSE TAX, HE WAS FORCED TO DO SO BECAUSE GUINEAN DESPERATELY NEEDS FOREIGN EXCHANGE. TOURE REPORTEDLY MADE THIS APPEAL BASED ON HIS RECENT TOUR OF THE COUNTRYSIDE, WHERE HE SAID HE FOUND SERIOUS FOOD SHORTAGES (SEE CONAKRY 0265, NOTAL, FOR FURTHER BACKGROUND THIS MATTER). FRIGUIA MADE EFFORT PERSUADE GUINEANS TO CHANGE NATURE OF TAX, IN SUCH MANNER THAT PARTNERS COULD CLAIM TAX CREDITS ELSEWHERE. BUT BASSINE PERSONALLY DOUBTS THAT GOG WILL MAKE THIS CHANGE, WHICH WOULD REQUIRE CHANGING TAX LAW ITSELF.

6. BASSINE EMPHASIZED ONCE AGAIN, THAT ALL MEETINGS WITH GUINEANS WERE EXTREMELY CORDIAL, EVEN THOUGH NO AGREEMENT REACHED.

7. WE HAVE ALSO LEARNED THAT CBG HAS SENT LETTER TO PRESIDENT TOURE STATING THAT THEY CONSIDER MINERALS TAX AS VIOLATION OF LIMITED OFFICIAL USE

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CBG AGREEMENT. THEY HAVE REQUESTED THAT ISSUE BE DISCUSSED AT NEXT CBG BOARD MEETING. CBG DOES NOT KNOW WHEN MEETING WILL TAKE PLACE, BUT IT WILL NOT BE IN FEBRUARY AS PREVIOUSLY SCHEDULED. CBG BOARD CHAIRMAN MOUSSA DIAKITE ALSO TOLD ME THAT MEETING WOULD BE POSTPONED, BUT DID NOT INDICATE WHAT NEW DATE WILL BE.

MACDONALD

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Message Attributes

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Draft Date: 24 FEB 1975
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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Disposition History: n/a
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Margaret P. Grafeld
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